



European Commission

# Creating a more competitive and innovative financial market

#FinTechEU | #crowdfundingEU

The financial sector is the largest user of digital technologies and a major driver in the digital transformation of the economy.

## HOW FINTECH IS CHANGING OUR LIVES



### GROUND-BREAKING INNOVATION

New convenient, cost-effective and innovative payment services for consumers.



### INCREASED SAFETY

Blockchain can make transactions faster, more traceable and secure for banks.



### MORE OPPORTUNITIES

Online crowdfunding platforms match small businesses and non-professional investors.

## THE COMMISSION'S ACTION PLAN TO PROMOTE FINTECH

ENCOURAGE INNOVATIVE BUSINESS MODELS

- Easier and more uniform licensing rules for new FinTech activities
- **COMMISSION INITIATIVE TODAY**
- New EU rules to enable crowdfunding
- Align standards
- Supervisors help FinTech firms apply rules and access market ('innovation facilitators')
- 'Regulatory sandboxes': Supervisors apply rules to FinTech firms in flexible and proportionate way

### A MORE COMPETITIVE AND INNOVATIVE FINANCIAL MARKET

- Facilitate information sharing on cyber threats among market participants
- Higher supervisory convergence and enforcement of IT risk management
- Increased EU coordination in cyber threat testing

STRONGER CYBER RESILIENCE

- Assess whether current EU rules are adapted to new technologies (e.g. distributed ledger technology, artificial intelligence)
- Clarify rules to facilitate use of cloud services
- EU initiative to promote blockchain, including in financial services
- New 'EU FinTech Lab' to increase knowledge of technologies among EU and national authorities

SUPPORT UPTAKE OF NEW TECHNOLOGIES



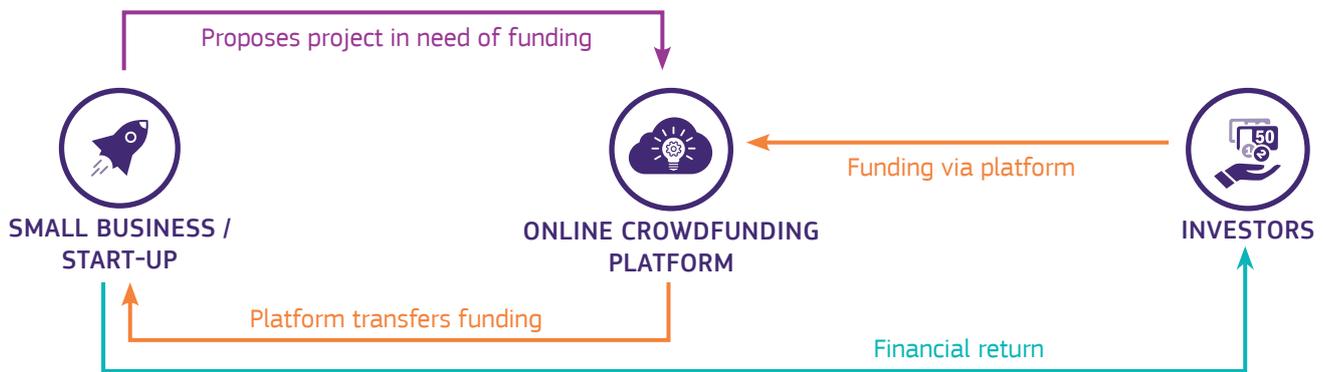
*"To compete globally, Europe's innovators need access to capital, space to innovate and scale to grow. This is the premise for our Fintech Action Plan. An EU crowdfunding label would help crowdfunding platforms scale up and match investors and companies from all over the EU, giving more choice to investors, and more opportunities for firms and entrepreneurs to pitch their innovative business ideas to an EU-wide audience of potential investors."*

**VALDIS DOMBROVSKIS**

Vice-President in charge of Financial Stability,  
Financial Services and Capital Markets Union

## WHAT IS CROWDFUNDING?

Crowdfunding is an innovative funding opportunity for small businesses and start-ups. It matches up business projects in need of funding with investors through an online platform. Investors in exchange receive returns on their investment.



## WHO BENEFITS FROM CROWDFUNDING?

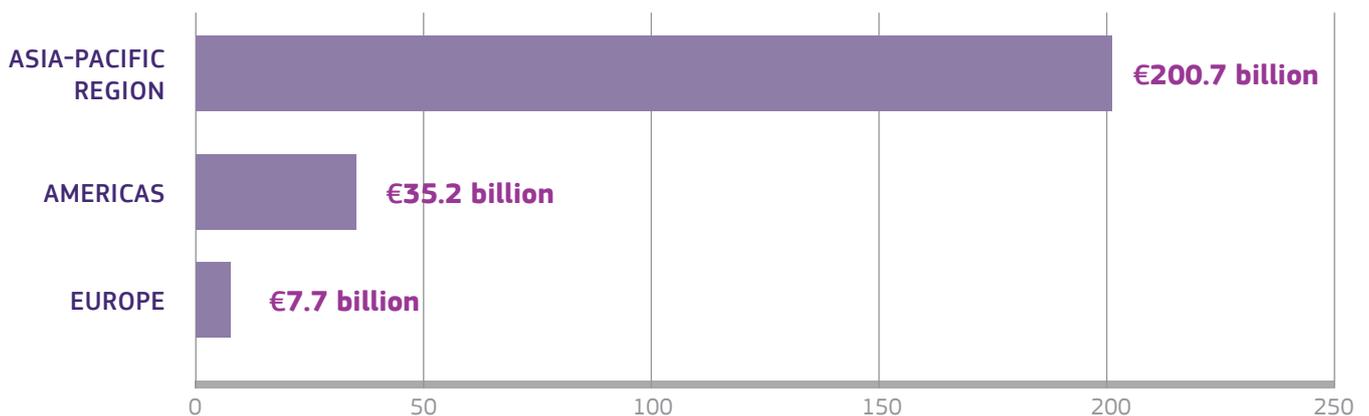
### START-UPS & SMALL BUSINESSES

- ✓ Access to alternative, cheaper sources of finance
- ✓ Investors validate business idea and advertise new product or service
- ✓ Helps start-ups grow and reach next stage of funding (e.g. bank loans, venture capital)

### INVESTORS

- ✓ Get involved in a project they love
- ✓ Receive a return on their investment

## CROWDFUNDING IN EUROPE IS STILL UNDERDEVELOPED



Source: Reports by the Cambridge Centre for Alternative Finance, 2017/2018; data for 2016 calendar year

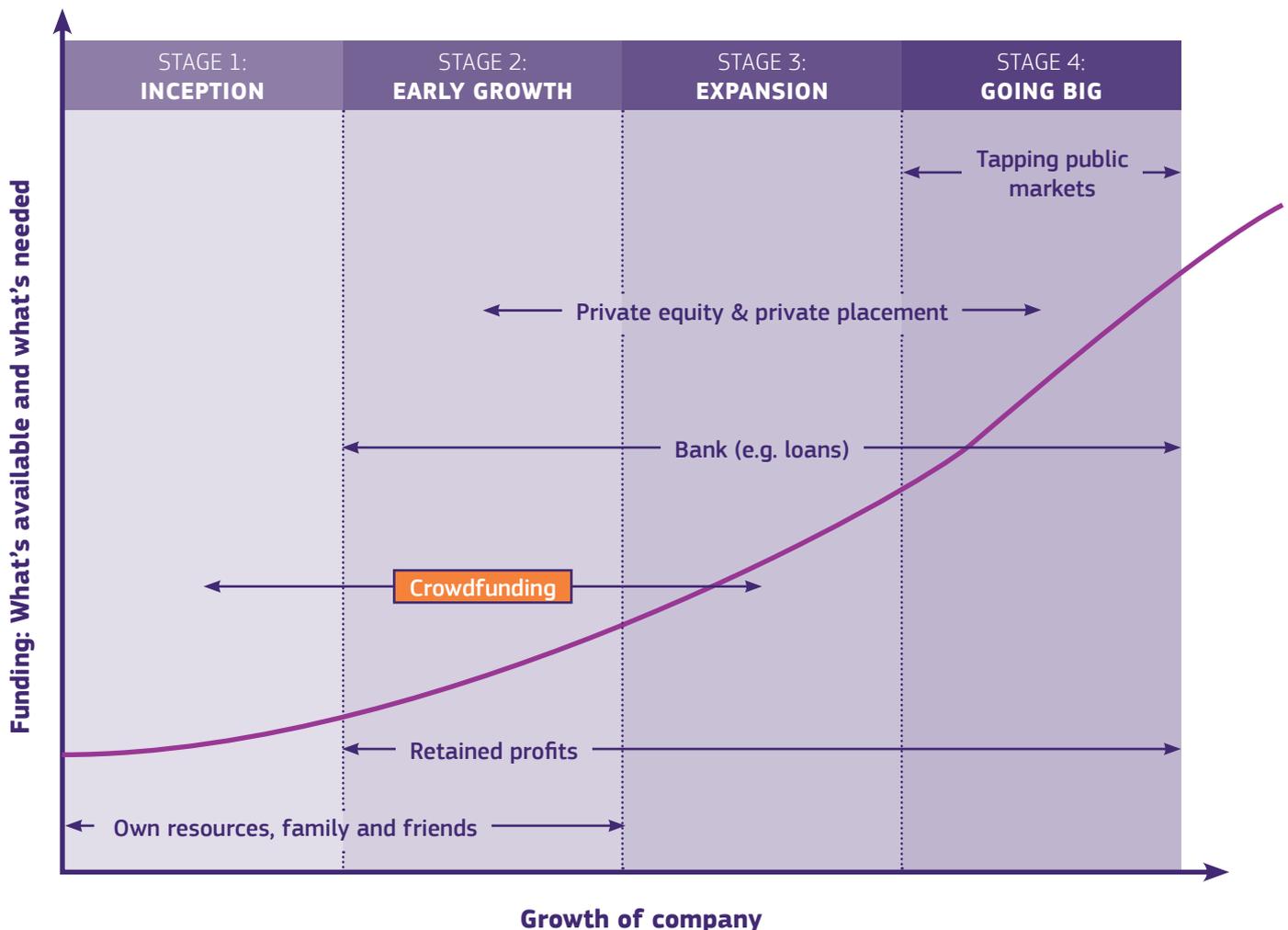
## WHAT'S THE PROBLEM TODAY?

Crowdfunding platforms find it difficult to expand EU-wide as they face conflicting rules between Member States. This means that start-ups and small companies are not able to benefit from the greater pool of potential investors EU-wide. It also limits investment opportunities for individuals.

PROBLEM	SOLUTION
Diverging national rules hinder cross-border crowdfunding services	EU-wide passport enables European crowdfunding service providers to operate under same rules
Lack of information leads to low investor trust	Developing a common investor protection regime
Lack of transparency on project and financial product sold (e.g. loans, shares) leads to uninformed decisions	Simple template for disclosure of key characteristics of project and financial product sold

## HOW CROWDFUNDING CAN FILL THE FUNDING GAP

It is often difficult or expensive for start-ups and early scale-up companies to get funding from banks or other forms of finance due to a limited track record. Crowdfunding helps fill this gap by enabling them to grow and access more sophisticated funding sources.





**Xavier SUTTY**  
CEO & Co-founder  
PumpArt System  
France

*“Crowdfunding helped my start-up raise funds quickly compared to more traditional funding channels. This allowed the company to grow rapidly. Another advantage were the exchanges with my future investors as they asked very relevant questions and gave good advice.”*



**Matthias RAISCH**  
CEO & Founder  
taxbutler  
Germany

*“I did not have access to business angels or venture capital, so crowdfunding was nearly my only option for raising capital for my start-up. The biggest advantage was that I gained clients and ambassadors for my product at the same time.”*



**Monika TOOMING**  
Head of Operations  
Funderbeam  
Estonia

*“The regulations that Europe is working on now will help crowdfunding platforms grow and do more cross-border business.”*



**Jeff LYNN**  
Executive Chairman & Co-Founder  
Seedrs  
United Kingdom

*“For now it has not been possible to market services to investors on a cross-border basis, and that’s going to be one of the things that is most important to change.”*